

UNITED STATES DISTRICT COURT

NORTHERN MARIANA ISLANDS

DOES I, et al., On Behalf of Themselves and All )  
Others Similarly Situated, )

Plaintiffs, )

vs. )

THE GAP, INC., et al., )

Defendants. )

Case No. CV-01-0031

CLASS ACTION

[PROPOSED] ORDER REGARDING  
REDUCTION OF WITHHELD TAX RESERVE

DATE: October 4, 2007

TIME: 9:00 a.m.

JUDGE: Alex R. Munson

1 This matter came before the Court in connection with a planned status conference originally  
2 scheduled for September 14, 2007, and then postponed to September 21, 2007. The Court scheduled the  
3 conference in its July 13, 2007 Order for the purpose of considering the continued need for, and size of, a  
4 \$280,000 reserve of undistributed funds withheld for the purpose of covering potential tax penalties arising  
5 from distribution of the settlement funds, as well as to pay for the cost of efforts to secure abatements of any  
6 such penalties and preparing fund tax returns. *See* July 13, 2007 Order at 3, ¶2.

7 Plaintiffs' counsel have submitted a report on the Claims Administrator's efforts to obtain additional  
8 information relevant to the potential tax penalties, and setting forth a proposal for the reduction of the  
9 existing tax reserve. This report and proposal were served on the Oversight Board ("OB"). Since then, the  
10 OB, plaintiffs' counsel, and the Claims Administrator, have engaged in further discussions regarding the tax  
11 reserve, and have agreed upon various revisions to the existing tax reserve.

12 Good cause appearing therefor, the Court ORDERS as follows:

13 1. The existing tax reserve shall be reduced to a total of \$130,000, consisting of (a) \$100,000 to  
14 cover any future federal tax penalties; (b) \$25,000 to pay for efforts to secure abatements of all penalties  
15 (both CNMI and federal); and (c) \$5,000 to pay for preparation of the settlement fund's 2007 and 2008 tax  
16 returns. If and when the Claims Administrator determines that the reserve is no longer necessary, or  
17 alternatively, when the Claims Administrator's duties with respect to the tax-related issues are fulfilled, the  
18 Claims Administrator will so notify the parties and the Court so that provision may be made for any funds  
19 remaining in the reserve.

20 2. The balance of the fund (approximately \$156,000) shall be remitted to the OB within 10 days  
21 of the entry of this order.

22 3. The OB has offered to assume responsibility for obtaining refunds and penalty abatements  
23 from the CNMI tax authorities. This is appropriate, given the OB's familiarity with the CNMI authorities  
24 and its geographical proximity, which will facilitate such negotiations. The Claims Administrator will share  
25 with the OB any information necessary to enable effective negotiations, and the OB will consult with the  
26 Claims Administrator as necessary and keep it advised of developments regarding these negotiations. The

1 OB will assume control of any refunds obtained, and will be responsible for paying any penalties that may  
2 ultimately be assessed.

3 4. The Status Conference scheduled for September 21, 2007 to discuss tax reserve-related  
4 matters is postponed. The Court will reschedule the Status Conference when it receives the Claims  
5 Administrator's request for reimbursement of costs, as anticipated by the July 13, 2007 Order. *See id.* at 5,  
6 ¶7.

7 Dated this \_\_\_\_\_ day of September, 2007

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10  
11 THE HONORABLE ALEX R. MUNSON  
Chief Judge, U.S. District Court

12 SUBMITTED BY:

13  
14 

15 JOYCE C.H. TANG  
Counsel for Plaintiffs

16 NO OPPOSITION:

17  
18  
19 TIMOTHY A. BELLAS  
On Behalf of Oversight Board